

Insurance

Insurance issues in Florida continue to be a cost driver for doing business in our state. Whether it's property insurance or workers' compensation insurance, Florida's employers continue to be at the mercy of bad public policy. AIF will focus efforts on passing legislation that will bring real relief to large and small businesses. One of the business community's top priorities for 2012 will be passage of legislation that discontinues the practice of physicians dispensing medications to workers' compensation patients at over-priced rates. Recently, the Office of Insurance Regulation approved an 8.9 percent increase in workers' compensation rates in Florida. At least 3 percent of this increase can be attributed to the drug repackaging issue.

Workers' Compensation Drug Repackaging

AIF SUPPORTS legislation that will reduce Florida employers' workers' compensation costs while helping Florida restore its vibrant economic position.

Currently, a loophole in Florida law allows physicians who dispense repackaged drugs to receive reimbursement amounts at exponentially higher rates than any other pharmacy provider. A lack of regulation of the

price of repackaged drugs not dispensed by pharmacies creates unpredictable cost fluctuations that drive up workers' compensation pharmacy costs. Legislation has been filed this year (**HB 511 by Rep. Matt Hudson and SB 668 by Sen. Alan Hays**) clarifying that all drugs are subject to the same statutory fee amounts regardless of where the drug is dispensed. Further, this measure will save Florida's private-sector employers upwards of \$62 million in workers' compensation rates — savings that could be used to create jobs for Florida's citizens.

Automobile Insurance

AIF SUPPORTS legislation to reduce Personal Injury Protection (PIP) claims costs.

Under Florida's no-fault law, which has been in effect since January 1, 1972, owners of motor vehicles are required to purchase \$10,000 of Personal Injury Protection (PIP) insurance which compensates persons injured in accidents, regardless of fault. Notwithstanding several legislative reforms to the law, PIP premiums continue to be unnecessarily high because of increased litigation, few cost controls for medical services, and few effective measures to reduce rampant fraud and abuse. Florida has a sordid history of PIP reform in which every reform to reduce fraud has been greeted with new schemes by the unscrupulous, and efforts to reduce medical costs have been greeted with additional litigation and increased utilization of services.

PIP fraud, including billing for medical services that were never rendered and staged accidents, amounts to an \$800 million tax on Florida residents in the form of increased premiums. Florida tops all states in the United States for staged accidents and other schemes to defraud automobile insurers. PIP was enacted to minimize litigation; however, the opposite is occurring. PIP-related lawsuits and settlements have more than doubled since 2008. AIF urges the Legislature to adopt measures including **HB 523 by Rep. Workman (R-Melbourne)**, **HB 119 by Rep. Jim Boyd (R-Bradenton)**, and **SB 254 by Sen. Mike Bennett (R-Bradenton)** addressing the above issues and require a mandatory review of the effectiveness of such measures in three years by sunseting Florida's no-fault law effective July 1, 2015.

Chief Financial Officer Jeff Atwater (R) delivered the Keynote Address at the 2011 Champions for Business Award Ceremony held during AIF's Annual Conference. CFO Atwater was a three-time Champion for Business Award winner during his tenure in the Legislature.



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Hurricane Taxes

AIF SUPPORTS legislation to return Citizens to an insurer of last resort. AIF also SUPPORTS restoring the Florida Hurricane Catastrophe Fund (Cat Fund) to a safety buffer for Andrew-sized storms.

Reducing the exposure of Citizens and the Cat Fund will substantially reduce the likelihood of claims-paying deficits and, thus, hurricane taxes on insurance premiums for Florida's employers. Created as an insurer of last resort, Citizens is now the largest homeowners insurer in Florida with 1.4 million policyholders. Its growth is attributed to low rates by legislative fiat and its authority to sell insurance to homeowners even though the homeowner is offered coverage by private insurers. Citizens has become the insurer of *first* resort and will continue to grow and drive private insurers out of the state as long as it has artificially low premiums. Private insurers cannot compete with a subsidized and financially unsound government-run insurance company. Citizens relies primarily on its ability to levy taxes on its policyholders and on every other Floridian's insurance policies to pay claims resulting from hurricanes. Citizens also relies on the Cat Fund, the state-run reinsurer, for \$6.4 billion of coverage.

The Cat Fund collects premiums which are not enough to cover its liabilities in the event of a hurricane. To pay claims, the Fund relies mostly on the levy of taxes on most insurance policies to pay back amounts borrowed by selling bonds. Anything needed above that to pay claims would have to be raised by the sale of bonds. Unfair as this assessment mechanism is, the Cat Fund and its advisers recently informed the Cabinet that the bond market cannot finance the Cat Fund's full exposure, creating a shortfall of \$3.2 billion or more. The Cat Fund's leadership has estimated that even slight under-performance could expose millions of policyholders to the risk of insolvency of their carrier. AIF supports legislation to right-size the Cat Fund, thereby ensuring that the Cat Fund can meet its obligations in



AIF was proud to host Rep. Jose Oliva (R-Hialeah) at a recent AIF Power Lunch event. Rep. Oliva is one of the newest members of the House of Representatives, having won a special election in June 2011.

the event of a storm and reducing the hurricane taxes that fund its operations, as well as its possible deficits.

Long-Term Care Insurance

AIF SUPPORTS legislation to clarify the way long-term care insurance policies are defined in Florida.

A recent decision by the 3rd District Court of Appeals in Florida significantly altered the method in which long-term care insurance policies are defined. AIF is seeking clarification of the term "guaranteed renewable policy" in order to protect contracts between consumers who purchase long-term care policies to assist in paying medical bills later in life and insurers who provide these policies.

AIF Lobby Team Members Assigned to the Area of Insurance Include:

Nick Iarossi – Property Insurance
Gerald Wester – Property Insurance
General Insurance Issues